

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION : PUBLIC UTILITY CONTROL

AT RICHMOND, APRIL 12, 2007

PETITION OF

ATMOS ENERGY CORPORATION

CASE NO. PUE-2007-00019

For Declaratory Judgment Regarding
Tariff Interpretation for Calculation
of Demand Allocation

ORDER FOR NOTICE AND COMMENT

On March 15, 2007, Atmos Energy Corporation ("Atmos," "Company," or "Petitioner") filed a petition with the State Corporation Commission ("Commission") seeking a declaratory judgment ("petition") that would authorize Atmos to recover from Virginia customers certain demand costs that had been reallocated by the Tennessee Regulatory Authority ("TRA"). The Company proposes that the Commission allow Atmos' purchased gas adjustment ("PGA") clause and actual cost adjustment ("ACA") portion of its PGA to change simultaneously with the change in Tennessee, thereby synchronizing the PGA periods in Tennessee and Virginia to July 1 - June 30. Atmos, therefore, requests that the current period be abbreviated to end on June 30, 2007, thus bringing the PGA period for the contiguous Tennessee and Virginia service territories into alignment.

Atmos proposes, if necessary, to amend its PGA to include demand cost allocation as proforma adjustments in its Annual Informational Filings ("AIFs"), consistent with the treatment for gas costs for other companies. According to the Company, gas demand costs are not included in the current base rate structure for Atmos, so it is appropriate to update the PGA demand component to serve that function. The Company requests that the Commission declare that the demand allocation ratio adjustment is included in the demand calculation in the current

tariff and, accordingly, that Atmos may recover the \$391,490 and \$964,067 in demand costs attributable to the period between the Tennessee determination and the current PGA for Virginia that began November 1, 2006. The Company proposes to include the \$1,355,557 in allocated but unrecovered demand costs over a 36-month period. Atmos asserts that it is proper to include such costs in its PGA rider.

NOW UPON CONSIDERATION of the petition, the Commission is of the opinion and finds that this matter should be docketed; that the Petitioner should give notice to the public concerning its request; that interested persons should have an opportunity to comment and request a hearing on Atmos' petition; that the Commission Staff should conduct an investigation into the petition and present its findings in a Staff Report or testimony, as appropriate; and that Atmos should be given an opportunity to respond to comments, the Staff Report, or testimony, as appropriate.

Accordingly, IT IS ORDERED THAT:

- (1) This case is docketed and assigned Case No. PUE-2007-00019.
- (2) On or before May 4, 2007, the Petitioner shall complete publication of the following notice to be published on one (1) occasion as display advertising in newspapers having general circulation throughout Atmos' Virginia service territory:

NOTICE TO THE PUBLIC OF A PETITION BY
ATMOS ENERGY CORPORATION, FOR DECLARATORY
JUDGMENT REGARDING TARIFF INTERPRETATION
FOR CALCULATION OF DEMAND ALLOCATION
CASE NO. PUE-2007-00019

On March 15, 2007, Atmos Energy Corporation ("Atmos" or "Petitioner") filed a petition with the State Corporation Commission ("Commission") seeking a declaratory judgment ("petition") that would authorize Atmos to recover from Virginia customers certain demand costs that had been reallocated by the Tennessee Regulatory Authority ("TRA"). Atmos asserts that it is proper to include such costs in its Purchased Gas Adjustment

("PGA") Rider. The PGA rider is, in general terms, an automatic adjustment clause that automatically charges Atmos customers who are not transportation customers for the cost to purchase natural gas. The Actual Cost Adjustment portion of the PGA corrects costs to purchase gas, billed to customers so that it reflects the actual cost to purchase natural gas. Atmos proposes to include the \$1,355,557 in allocated but unrecovered demand costs over a 36-month period.

Copies of the petition are available for public inspection between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday, in the Commission's Document Control Center located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219. Unofficial copies of the petition may also be downloaded from the Commission's website: www.scc.virginia.gov/caseinfo.htm, or may be ordered without charge from Atmos' counsel, Richard D. Gary, Esquire, and Charlotte P. McAfee, Esquire, Hunton & Williams LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074.

On or before May 25, 2007, any person desiring to comment on Atmos' petition may do so by directing an original and fifteen (15) copies of such comments in writing to the Clerk of the Commission at the address set forth below. Interested persons desiring to submit comments electronically may do so by following the instructions found on the Commission's website: www.scc.virginia.gov/caseinfo.htm. A hard copy of the comments, whether submitted in writing or electronically, shall be simultaneously served upon Atmos' counsel at the address set forth above.

Any person may request a hearing on Atmos' petition by filing an original and fifteen (15) copies of its request for hearing on or before May 25, 2007, with the Clerk of the Commission at the address set forth below. Requests for hearing must include: (i) a precise statement of the interest of the filing party; (ii) a statement of the specific action sought to the extent then known; (iii) a statement of the legal basis for such action; and (iv) a precise statement why a hearing should be conducted in the matter. Persons filing a request for hearing shall serve a copy of their request on or before May 25, 2007, upon Atmos' counsel at the address set forth above.

Any request for hearing shall state with specificity why the issues raised in the request for hearing cannot be adequately addressed in written comments. If no sufficient request for hearing

is received, the Commission may consider the petition based on the papers filed without convening a hearing at which oral testimony is received.

Persons filing a request for hearing and expecting to participate as a respondent in any hearing that may be scheduled shall also file, on or before May 25, 2007, an original and fifteen (15) copies of a notice of participation with the Clerk of the Commission as required by 5 VAC 5-20-80 B of the Commission's Rules of Practice and Procedure. 5 VAC 5-20-10 et seq. Interested persons should refer to the Commission's Order for Notice and Comment for more information on participation as a respondent.

Unofficial copies of Atmos' petition, the Commission's Order for Notice and Comments, the Commission's Rules of Practice and Procedure, as well as other information concerning the Commission and the statutes it administers, may be accessed through the Commission's Document Search Portal at <http://www.scc.virginia.gov/caseinfo.htm>.

All written communications to the Commission concerning Atmos' petition shall be directed to Joel H. Peck, Clerk of the State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, and shall refer to Case No. PUE-2007-00019.

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(3) On or before May 4, 2007, Atmos shall serve a copy of its Petition and a copy of this Order by personal delivery or by first-class mail, postage prepaid, to the chairman of the board of supervisors and county attorney of each county and upon the mayor or manager of every city and town (or upon equivalent officials in counties, towns, and cities having alternate forms of government) in which Atmos provides service. Service shall be made by first-class mail or personal delivery to the customary place of business or residence of the person served.

(4) On or before May 11, 2007, the Petitioner shall file with the Commission proof of notice and proof of service as ordered herein.

(5) Any person desiring to comment on Atmos' petition may do so by directing an original and fifteen (15) copies of such comments in writing on or before May 25, 2007, to Joel H. Peck, Clerk of the State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218. Interested persons desiring to submit comments electronically may do so by following the instructions found on the Commission's website: www.scc.virginia.gov/caseinfo.htm. A hard copy of such comments, whether submitted in writing or electronically, shall be simultaneously served upon Atmos' counsel, Richard D. Gary, Esquire, and Charlotte P. McAfee, Esquire, Hunton & Williams LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074. Comments must refer to Case No. PUE-2007-00019.

(6) On or before May 25, 2007, any person wishing to request a hearing on Atmos' petition shall file an original and fifteen (15) copies of its request for hearing in writing with the Clerk of the Commission at the address set forth above. Written requests for hearing shall refer to Case No. PUE-2007-00019 and shall include: (i) a precise statement of the interest of the filing party; (ii) a statement of the specific action sought to the extent then known; (iii) a statement of the legal basis for such action; and (iv) a precise statement why the issues raised in the request for hearing cannot be adequately addressed in written comments. A copy shall also simultaneously be served on the Petitioner at the address set forth above. If no sufficient request for hearing is received, the Commission may consider the application based upon the papers filed herein without convening a hearing at which oral testimony is received.

(7) On or before May 25, 2007, any person filing a request for hearing and expecting to participate as a respondent in any hearing that may be scheduled in this matter shall file an original and fifteen (15) copies of a notice of participation as required by 5 VAC 5-20-80 B of the Commission's Rules of Practice and Procedure, 5 VAC 5-20-10 et seq. All notices of

participation shall be filed with the Clerk of the Commission at the address set forth in Ordering Paragraph (5) above. Copies of any notice of participation shall refer to Case No. PUE-2007-00019 and shall simultaneously be served on counsel for the Company at the address set forth in Ordering Paragraph (5) above.

(8) The Commission Staff shall analyze Atmos' petition and present its findings in a Staff Report or testimony, as appropriate, to be filed on or before June 19, 2007.

(9) On or before July 6, 2007, Atmos shall file with the Clerk of the Commission an original and fifteen (15) copies of any responses to the Staff Report or testimony or to comments and requests for hearing filed with the Commission. A copy of the response shall be delivered by overnight delivery to Staff and any other persons who filed comments or requests for hearing.

(10) Atmos shall respond to written interrogatories or data requests within seven (7) calendar days after the receipt of the same. Except as so modified, discovery shall be in accordance with Part IV of the Commission's Rules of Practice and Procedure.

(11) This matter is continued generally.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:
Richard D. Gary, Esquire, and Charlotte P. McAfee, Esquire, Hunton & Williams LLP,
Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074; C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of Attorney General, 900 East Main Street, 2nd Floor, Richmond, Virginia 23219; and the Commission's Office of General Counsel and Divisions of Communications, Public Service Taxation, and Economics and Finance.